

Message Text

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TO AMEMBASSY BONN

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LIMITED OFFICIAL USE BERLIN 0302

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TAGS: ETRN, WB

SUBJ: CIVAIR-RENTS AND FEES AT BERLIN AIRPORTS

REF: BONN 2347

IN REVIEWING FRG REQUEST THAT RENTS AND FEES AT TEMPELHOF AND TEGEL
NORTH BE INCREASED, MISSION SUGGESTS EMBASSY CONSIDER FOLLOWING:

A) IN SUPPORT OF INCREASES WE MUST CONCEDE THAT COSTS
ARE RISING AND THAT AIRLINES HAVE BEEN ON NOTICE OF BERLIN AIRPORT
COMPANY (BFG) INTENT TO RAISE RENTS FOR MORE THAN A YEAR, ALTHOUGH
TIMING REMAINED UNCLEAR. FURTHERMORE, ALTHOUGH BOTH PANAM AND BEA
SAY THEY DID NOT INCLUDE THESE INCREASES IN THEIR LATEST FARE
REQUESTS, THEY DID INCLUDE, IN LAST YEAR'S FARE-INCREASE
CALCULATIONS
FIRST PORTION OF RENT INCREASE, WHICH IS ALREADY IN EFFECT.

B) HOWEVER, IT IS UNDERSTANDABLE WHY AIRLINES ARE STRONGLY
RESISTING FURTHER RENT AND FEE INCREASES NOW. FRG WANTS NEITHER
A SUBSIDY INCREASE NOR ANOTHER FARE INCREASE AND ADDITIONAL
AIRLINE COSTS RESULTING FROM FRG PROPOSAL WOULD OFFSET APPROXIMATELY
ONE-THIRD OF RECENTLY APPROVED FARE INCREASE.

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C) IT IS QUESTIONABLE WHETHER BFG INCOME SHOULD BE
INCREASED TO FRG LEVELS SINCE;

(1) ITS EXPENDITURES ARE LOWER THAN WHAT IS
NORMAL IN FRG BECAUSE OF SUBSTANTIAL OCCUPATION COST
FINANCING OF BERLIN AIRPORT (ABOUT DM 74 MISSION USAF
AND BAU OCCUPATION-COST EXPENDITURES FOR LAST TEN YEARS,
FOR ITEMS NORMALLY FINANCED BY AIRPORT COMPANY) AND
(2) IGS FARES, EVEN AFTER RECENT FARE INCREASE,
ARE STILL CONSIDERABLY LOWER THAN INTRA-FRG FARES.

D) FRG PROPOSAL SHOULD BE EVALUATED IN CONTEXT OF MOVE TO
TEGEL. ORIGINAL BFG REQUEST FOR RENT INCREASE INCLUDED JUSTIFICATION
THAT RENTS AT TEMPELHOF AND TEGEL NORTH SHOULD BE EQUALIZED WITH
THOSE AT TEGEL SOUTH. BFG BUDGET HAS BEEN IN REASONABLE BALANCE
THROUGH 1973 BUT BFG EXPECTS LOSSES OF ABOUT DM 20-TO-30 MILLION
PER YEAR STARTING IN 1974 BECAUSE OF INCREASE COSTS INVOLVED
IN OPERATION OF TEGEL SOUTH. WHICH IS SCHEDULED TO BE OPERATIONALLY
READY IN NOVEMBER 1974. PANAM HAS TOLD MISSION ITS OFFER TO MOVE
TO TEGEL IS CONDITIONAL UPON TEGEL RENTS AND FEES NOT EXCEEDING
PRESENT TEMPELHOF RATES. MISSION SEES SETTING TEGEL SOUTH RENTS
AND FEES AT DEPRESSED LEVELS AS PERHAPS ONLY WAY TO ENTICE
AIRLINES TO MOVE VOLUNTARILY TO NEW AIRPORT.

E) ONE POSSIBLE MEANS OF REDUCING BFG EXPENDITURES BY
APPROXIMATE AMOUNT OF DESIRED ADDITIONAL INCOME FROM INCREASED
RENTS AND FEES WOULD BE TO TRANSFER TEMPELHOF SNOW REMOVAL
BACK TO BAU OCCUPATION COST BUDGET. (IT WAS ONLY RECENTLY TRANSFERRED
FROM BAU TO BFG WHILE TEGEL SNOW REMOVAL CONTINUES ON FRENCH
OCCUPATION COST BUDGET.) RETRANSFER OF TEMPELHOF SNOW REMOVAL
TO OCCUPATION COSTS MIGHT BE WORTH ADMINISTRATIVE AND PERSONNEL
COMPLICATIONS INVOLVED IF EFFECT WOULD BE WITHDRAWAL OF FRG
REQUEST FOR RENT AND FEE INCREASES

WE RECOGNIZE THIS DEVICE REPRESENTS SHELL GAME WHICH WOULD
NOT SAVE FRG ANY MONEY; HOWEVER, PRESSURE FOR RENT AND
FEE INCREASES BELIEVED TO HAVE ORIGINATED IN BFG, WHICH
IS PRIMARILY MOTIVATED BY PAROCHIAL-IF UNDERSTANDABLE
--INTEREST IN REDUCING BFG BUDGET DEFICIT.KLEIN

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